Nabisco, Inc. Annual Report 1975

Transfer Agents

Morgan Guaranty
Trust Company
of New York,
30 West Broadway,
New York, N.Y. 10015

The First National
Bank of Chicago,
One First National
Plaza, Chicago, IL 60670

Crocker National Bank,
Corporate Division
P.O. Box 38005
San Francisco, CA 94138

Registrars

Morgan Guaranty
Trust Company
of New York,
30 West Broadway,
New York, N.Y. 10015

The First National
Bank of Chicago,
One First National
Plaza, Chicago, IL 60670

Bank of America,
Corporate Agency Division
Box 37002
San Francisco, CA 94137

Debentures Trustees

Bankers Trust Company,
16 Wall Street,
New York, N.Y. 10015

Morgan Guaranty
Trust Company
of New York,
23 Wall Street,
New York, N.Y. 10015

Principal Exchanges

New York
Midwest
Pacific
Amsterdam
Paris

Ticker symbol: NAB

Shareholder Information

Current shareholders are requested to address all questions concerning their securities or dividends, as well as requests for proxy materials, address changes, or other shareholder information, to the Corporate Secretary at East Hanover, N. J. 07936, or by telephone, (201) 884-0500.

Availability of Form 10-K

A copy of the company's annual report Form 10-K, filed with the Securities and Exchange Commission, is available on request from the Director, Investor Relations at East Hanover, N.J. 07936, or by telephone, (201) 884-0500.

Notice of Annual Meeting

The annual meeting of shareholders will be held at 2 p.m. on Monday, April 26, 1976, in the Presidential Suite of the Cherry Hill Inn, Route 38 and Haddonfield Road, Cherry Hill, N. J. 08002.

Nabisco, Inc. Annual Report 1975
East Hanover, New Jersey 07936 (201) 884-0500

Financial Highlights
(In millions except per share data)

	1975	1974	% Change
Net Sales	**$1,970.8**	$1,793.1	9.9
Income from Operations	**168.3**	114.4	47.1
Net Income	**59.0**	45.5	29.9
Net Income per Common Share	**3.70**	2.85	29.8
Dividends Declared per Common Share	**2.30**	2.30	—
Net Income per Dollar of Sales	**3.0 cents**	2.5 cents	20.0
Dividends Declared	**36.7**	36.7	—
Capital Expenditures	**56.0**	67.6	(17.2)
Working Capital	**191.7**	178.3	7.6

Nabisco World Headquarters was officially occupied on October 20, 1975. The 300,000-sq. ft. structure, located in E. Hanover, N.J., is on an attractive 121-acre site, approximately 30 miles west of mid-Manhattan.

Table of Contents

To Nabisco Shareholders

We are pleased to report that Nabisco achieved record sales and earnings in the year 1975.

Sales for the year reached an all-time high of $1.97 billion, compared with $1.79 billion in 1974, an increase of 10%. These record sales reflected significantly improving unit volume growth trends as we moved through 1975. We believe this attests to the fine efforts of our employees, the quality of product lines in our U.S. and international operations, and the effectiveness of our marketing programs.

While economic conditions in the United States and abroad at the beginning of the year were still inflationary and consumer confidence was low, Nabisco's earnings performance improved steadily during the year, showing gains every quarter in year-to-year comparisons. Net earnings moved up to a record level of $59.0 million from $45.5 million in 1974, a gain of 30%. Per share earnings were $3.70, up from $2.85 in 1974. The benefit of the strong sales performance was supplemented by improved productivity and operating efficiency. Profit margins reflected this improvement, as net income per dollar of sales rose from 2.5 cents in 1974 to 3.0 cents in 1975.

The Company's financial position has been materially strengthened as a result of the solid operating performance in 1975. The most notable improvement was a reduction of short-term debt by more than $100 million, from $171 million at year-end 1974 to $63 million at December 31, 1975. Management instituted programs throughout the Company to review more intensively the capital needs of our operations, along with continued close controls over inventories and accounts receivable. This contributed to the improvement in our balance sheet.

The primary factor in the strong performance of 1975 was the outstanding contribution made by the U.S. food operations. As economic activity and consumer confidence turned up in mid-1975, effective marketing programs and new product introductions produced steadily improving results. In the U.S. Biscuit Division, prices were reduced four times as the cost of some key commodities declined during 1975 from historic highs. Cereals, pet foods, confectionery products, and frozen foods also benefited from lower commodity costs, permitting the U.S. food operations to move toward more normal operating margins.

We believe the conclusion to be drawn from the strong consumer demand for our food products is that the consumer is looking for real value. Nabisco has built its reputation on the principle of providing consumers with the best value for their money with every purchase of our products. While our product lines are many and diverse, generally they all have an extremely important factor in common. They are consumer goods of outstanding quality, fairly priced.

Various product lines are sold through our customers, the retail trade, to consumers. For each line, Nabisco assumes a responsibility to communicate the real value being offered. This responsibility is far-reaching, since, within the U.S. alone, we sell approximately four billion individual packages each year. For each and every one of these four billion packages, the consumer must make a "buy decision".

The base of our U.S. food business has been solidly built on such well-known Biscuit Division products as RITZ Crackers, PREMIUM Saltines, OREO Cookies and FIG NEWTONS Cakes, and this was certainly true in 1975. This, coupled with the success of new snack products, has been most encouraging since snacks promise exceptional growth potential in the years to come. TATER PUFFS, which was introduced in

Robert M. Schaeberle Val B. Diehl

July, has enjoyed the greatest initial volume of any snack cracker we have ever introduced. Just four of our most successful new biscuit products achieved a combined sales volume of almost $30 million in 1975, an excellent result in view of the fact that none of these products were on the market for the full 12 months.

Strong sales and earnings improvements were achieved by the Special Products Division in 1975. Substantial unit volume gains were attained in ready-to-eat cereals, especially SPOON SIZE Shredded Wheat and NABISCO 100% Bran. Nabisco cereals are being recognized by many people as providing basic nutrition, taste and value.

Our Food Services Division achieved substantial growth in sales and improved earnings in 1975. We see this division as a major contributor to our future expansion plans.

In our Confectionery Division, more aggressive and innovative marketing was combined with reduced raw material costs to produce increased share of market and an excellent profit performance.

Freezer Queen Foods, Inc. found greater demand for its frozen food entrees in 1975. Improved sales volume, along with lower raw material costs, resulted in improved earnings over 1974.

Associated Products, Inc., with its pet food, shower curtain, and drapery lines, performed extremely well, despite a slow start in the early months of the year because of retailers' efforts to hold down their inventories. Orders for Associated's various lines of household furnishings improved steadily throughout the year as retail stores began to rebuild their depleted inventories, and both sales and profits for the year were up from 1974.

The J. B. Williams Company, Inc. was another member of the Nabisco family to benefit from strong sales and new product introductions during the year. New products in the AQUA VELVA line, namely HERBAL and MUSK, performed well, augmenting the established toiletries and pharmaceutical products marketed by this division. In the fourth quarter of 1975, a major entry into the personal care field—ROSE MILK, a unique new skin care cream—was expanded into national distribution. In an example of novel product association, ROSE MILK was advertised in connection with the Tournament of Roses Parade. This exposed the product to a major television audience before the annual Rose Bowl football game. We believe many additional consumers will be attracted to ROSE MILK as they learn of the excellent attributes and value of this product.

In 1975, the Aurora Products Corp. toy and game subsidiary showed slightly higher sales than 1974 but did not achieve operating profit expectations. The Model Motoring line had record sales, but toys and games experienced disappointing sales in the fourth quarter. This sales performance, combined with higher inventory obsolescence charges, resulted in an increased loss in 1975. Organizational changes made during late 1975, along with stringent cost and inventory control programs, should enable us to effect improvement in this division in 1976.

Economic activity in major countries outside the United States generally lagged in recovering from the recent worldwide recession. Nabisco's international operations, particularly in Europe, were influenced by this condition. Nevertheless, there were encouraging signs. Our Canadian operations reported significant increases in sales and earnings. Many of our operations in Latin America, Europe and Australia were able to show improvement in spite of the difficult economic environments.

German biscuit and confectionery operations experienced increased losses from 1974 levels in an unusually difficult economy. Higher than normal unemployment and low consumer confidence levels had a definite impact on sales of our products. However, new special management assignments and programs have been initiated during 1975. These moves, aided by some strengthening in the economy, should result in improved results in the near future. We continue to view the West German market as an important one for Nabisco.

Nabisco's Latin American operations were expanded through a new association with Tamara, C. por A., a biscuit manufacturer located in the Dominican Republic. This company is well established in a rapidly growing market and has excellent potential for improving our position in the Caribbean.

In October 1975, we moved to our new World Headquarters in East Hanover, New Jersey. We regard this relocation in a most positive light, convinced that our employees will be able to work more productively in this attractive and truly new environment. The entire office complex is modern, using the "open space" concept, permitting enhanced flexibility and greatly improved communications.

Capital expenditures were very carefully screened in 1975. A total of $56 million was dedicated to capital additions, somewhat lower than the expenditures for 1974. This amount permitted us to maintain our plants and equipment in optimum operating condition and to provide the means for continuing growth. Major renovations and modernization of flour milling and carton printing facilities were accomplished, and a modern knitting mill facility was acquired to provide needed capacity for our growing home furnishings products.

The Directors of Nabisco, at their November meeting, elected to the Board Dr. Albert E. Rees, Provost and Professor of Political Economy at Princeton University. We welcome Dr. Rees to the Board, and we know that his guidance and counsel will be of great value to the Company.

In January 1976, the Board of Directors increased the quarterly dividend to shareholders from 57½ cents to 60 cents per share. Nabisco has a record of 78 years of continuous dividends, and this latest action indicates our confidence in sustained profitable growth in the future.

We want to convey to you our strong conviction that the consistent quality of our various product lines, their position in their individual markets, and the overall strength of the Company provide Nabisco with the ability to respond successfully to the challenges of today and tomorrow.

We wish to express our great appreciation to the 47,000 Nabisco employees throughout our worldwide operations, whose skills and devotion to their work have enabled Nabisco to achieve such a fine year. We also wish to thank our Directors for their continued guidance and counsel.

The record results attained in 1975 bring us into the new year with good momentum and strong operating plans in place. These positive factors, coupled with improving economic conditions developing in the United States and other countries in which we are represented, encourage us to be confident and optimistic about 1976.

R M Schaeberle

Robert M. Schaeberle, *Chairman*

Val B. Diehl

Val B. Diehl, *President*

January 31, 1976

Review of 1975 Operations

U.S. Biscuit Division. The U.S. Biscuit Division is a near billion-dollar business that operates with a high degree of autonomy within Nabisco. It has its own staff for all of the major operating functions—sales, marketing, manufacturing and administration. Of the company's 47,000 employees, the division has about 17,000.

The division serves over 100,000 stores every month, from the largest supermarket chains to the smallest independent groceries. In 1975, there were more than 3,000 field sales force personnel serving these retail outlets.

Nabisco has developed a highly sophisticated, fast distribution method which practically assures a 48-hour turnaround on orders in most parts of the U.S. Thus, for example, an order taken on Monday will be delivered on Wednesday. Such efficient service has the advantage of allowing that retailer to maintain little more than a week's inventory. At the same time, the Biscuit Division has the assurance that all its products are factory fresh when purchased by the consumer. The division operates out of 180 strategically located branch warehouses in the U.S.

New products add to the strength and vitality of the Biscuit Division. The year 1975 was favorable for new product introductions, given an operating environment that included stabilizing raw material costs and modest improvements in the domestic economy. Competition comes from as many as 200 regional and national companies, and the division's success in new products, therefore, has highly favorable implications for the future. A large part of the company's research staff at Fair Lawn, N.J. are employed full time on Biscuit Division quality control, primary research, nutrition, and new product innovation.

The division operates eleven bakeries in various parts of the country. Of these, the one in Richmond, Virginia is the newest and most efficient, and will be its second largest when completed. Six ovens had been brought into full operation by the end of the year, and several more ovens will be added in 1976. There is ample room at the facility for further expansion.

In addition to the Richmond bakery, there were two other major capital additions which supported the U.S. food operations.

Nabisco operates the largest soft wheat flour mill in the world at Toledo, Ohio. This mill is being replaced, at the same site, by a new mill that will yield substantial operating efficiencies.

1 James Hughes, driver, checks delivery he has made to a large supermarket in New Jersey. He is an important link in Nabisco's commitment to service.

2 Honora Bradley, sales representative, stamps price on retail package and builds display. Sales representatives are the company's first line of communication with retailers.

3 A nationwide fleet of about 2,000 trucks assures rapid distribution of the Biscuit Division's baked goods from bakery to retailer.

4 Harold "Skip" Busdiker, grain elevator superintendent at Toledo, Ohio flour mill. Truck in background has been weighed and raised to dumping position on the weighing platform.

1


2


Mayfair
ENGLISH STYLE ASSORTMENT
Mayfair
ENGLISH STYLE ASSORTMENT
Mayfair
NILLA wafers
NABISCO
FIG NEWTONS
BAKE SHOP OATMEAL
00249
6-12 OZ. CARTONS
NILLA WAFERS
GRAHAMS
CHOCOLATE CHOCOLATE CHIP


NABISCO
3

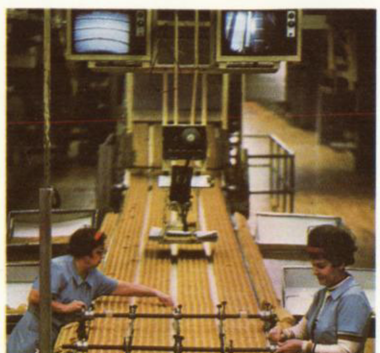

4


triscuit
the unique snack!
NABISCO
triscuit
WAFERS
delicious 100% whole wheat
a totally new snack cracker!
NABISCO
Tater Puffs
SNACK CRACKERS
CRISP! TASTY!
NET WT 5 OZ
a totally new snack cracker!
Tater Puffs
PRICE
NABISCO
dip in a chip
CHEESE N'CHILE SNACK CRACKERS
the dip flavor is baked in!
dip in a chip

1

2

3



4

5

Review of Operations (cont.)

The new mill is expected to begin operating in mid-1976. The company has other, smaller flour mills—at Cheney, Washington and at Carthage, Missouri. These three mills supply substantially all of the company's U.S. soft wheat requirements for cookie and cracker production. Operation of these facilities by Nabisco assures the company of consistency, quality and continuity of supply for the major portion of its flour needs.

In 1975, improvements were made at the company's printing plant and boxboard mill in Marseilles, Illinois. A modern, high speed, eight-color gravure printing and cutting press was installed. In addition, a complete modernization of the boxboard mill machine was completed. This equipment greatly improves the quality of the folding cartons produced at that location.

Nabisco operates another printing plant in Beacon, New York. These two plants provide Nabisco's Biscuit and Special Products Divisions with approximately 95 per cent of their folding carton requirements.

Special Products Division. This is the second largest operating division. It is comprised of a number of product lines: ready-to-eat cereals, hot cereals, MILK-BONE Brand dog biscuits, RIVAL dog food, and the DROMEDARY line of cake mixes, imported dates, and pimientos. Total sales of the Special Products Division (SPD) rose more than 10 per cent above 1974 levels, and profits also showed a substantial improvement.

SPD, like the Biscuit Division, benefited from the favorable trend in commodity prices. Unlike the Biscuit Division, SPD has a relatively small sales force of approximately 200 representatives which is responsible for sales to chain store headquarters warehouses and wholesale food distributors. The division has manufacturing plants in eight cities throughout the U.S.

Improved sales of NABISCO Shredded Wheat and SPOON SIZE Shredded Wheat were a strong factor in this division's fine performance in 1975. Moreover, TEAM Flakes and NABISCO 100% Bran cereals showed even stronger percentage gains.

The CREAM OF WHEAT Cereals, including the Mix 'n Eat varieties, continued to enjoy a very strong, competitive position in the total hot cereal market in 1975.

MILK BONE Brand dog biscuits, which are manufactured in three sizes, have a strong market position, and their performance in 1975 was most satisfactory. MILK-BONE Brand Flavor Snacks also showed significant sales increases in 1975, as did the other products that comprise the MILK-BONE Brand line of dog snacks. The RIVAL brand of dog foods, transferred to the division from Associated Products, Inc., is now being sold by this division's salesmen and is receiving good acceptance.

Food Services Division. This division sells a line of cookies, crackers and snacks for away-

1 *DIP-IN-A-CHIP and TATER PUFFS, both introduced during 1975, represent important additions to the U.S. Biscuit Division's TRISCUIT wafers and other snack products.*

2 *Dennis Wick, mechanic, lifts into position a rotary molding roll for OREO Cookies, at Nabisco's newest bakery in Richmond, Va. Nabisco baked over 5 billion individual OREOs in 1975.*

3 *Quality control plays a supremely important role at every bakery. Here Mildred Payne, unit leader at the Chicago bakery, checks a package of PREMIUM Saltines.*

4 *Jane Peseckas and Mary deVita align and check FIG NEWTONS Cakes for thickness as they emerge from oven. (TV monitors provide view of inside of cooling tunnel through which product passes following baking and prior to packaging.)*

5 *The Confectionery Division produces and markets several lines of well-known and successful candy products.*

from-home consumption: approximately 55 per cent through restaurants and institutions; 40 per cent through vending machine operations; and the remaining 5 per cent through food manufacturers.

There are about 450,000 restaurants and institutions in the U.S. The division concentrates on the key customer, the institutional distributor. The division's products, 90 per cent of which are manufactured by other Nabisco units, are used in restaurants, cafeterias and institutions.

In 1975, the Food Services Division placed a great emphasis on improving its customer service and distribution network to vending machine chain operators and to the more than 5,000 independents.

While conditions within both segments of this business in 1975 were somewhat unfavorable, the division increased its sales and had a strong improvement in profits.

Confectionery Division. One of the effects of the severely escalating commodity costs in 1974 was that the five-cent candy product line virtually disappeared. In 1975, commodity costs generally returned to more normal levels—with the exception of sugar and cocoa which showed some improvement but settled at substantially higher than historical levels. As a result, candy prices to the consumer could not be lowered to any great extent, and the median price for a candy bar in the U.S. today is in the 15-cent range.

Nabisco's confectionery products fall into two categories of roughly equal size: packaged items, such as candy that is sold in chain stores and supermarkets in packages ranging in price from 49 cents to 99 cents, and candy bars that are typically sold in candy stores. Recent economic trends have taken their toll of candy stores; consequently, bar goods are increasingly to be found at candy counters in the larger stores. This has brought about some changes in the business, and the Confectionery Division in 1975 placed great importance on new promotional programs and on expanding its national distribution of its well-known brands, such as SUGAR DADDIES, CHUCKLES and JUNIOR MINTS. Production capacity of the Danville, Illinois CHUCKLES candy plant was substantially increased during the year.

Several well-known sports figures were retained to help promote the division's products. These promotions played a key role in the division's strong sales and profit performance during a year when consumers remained highly selective.

Freezer Queen Foods, Inc. Freezer Queen produces a broad line of main meal frozen entrees. A large segment of its business is the 2-lb. family size entrees.

The 5-oz. MINI-MEAL, which is cooked in a pouch, is a single-serving meal that has also begun to find its place in the market. It grew in 1975 in spite of a poor consumer market. The company has taken particular care in developing gravies and sauces to give them a richer, home-style type of flavor.

Freezer Queen produces single-serving meals for the school lunch program which represents a growth opportunity for the future. Freezer Queen's profits in 1975 showed a substantial improvement over the prior year.

Protein Foods Division. We continue to view protein foods as a major growth opportunity in the coming years, based on the knowledge that economical production of protein foods throughout the world will be increasingly important.

Protein Foods has recently introduced a new consumer product. It is currently in test market and called TUNA TWIST, a sandwich and salad mix for tuna containing vegetable protein.

1 *Thomas L. Ross, in charge of the gravure department at the Marseilles, Illinois carton printing plant.*

2 *Ines Alvira loads 5-oz. MINI-MEALS into a blast freezer at the Freezer Queen plant in Buffalo, N.Y. The division had considerable success with these cook-in pouch entrees during 1975.*

3 *Edith Eisler, designer, prepares a new tablecloth design for Hygiene Industries, part of Associated Products, Inc. The company's vinyl, flannel-backed tablecloths and vinyl shower curtains are sold under the Hygiene and Berkeley labels.*

4 *John Rybezynski, machine captain, weighs a large MILK-BONE Dog Biscuit sample at the Buffalo, N.Y. bakery of the Special Products Division.*

1

2

3

Review of Operations (cont.)

Associated Products, Inc. This company, acquired in 1973, has been a consistent contributor to Nabisco sales and earnings. It is engaged in the following businesses:

Hygiene Industries, Inc. and its affiliate, Hygiene of California, Inc., design, manufacture and sell plastic shower curtains and vinyl tablecloths under their own names. Hygiene also sells private label goods to large chain stores. It is the largest plastic shower curtain manufacturer in the U.S.

Everlon Fabrics Corp. is one of the largest rachelle knitters of curtain and drapery material in the U.S. Rachelle knitting machinery enables the manufacturer to produce knitted fabrics from synthetic yarns in a method that cannot be duplicated economically on other machines. Everlon's integrated operation is unusual in that it not only knits the basic fabrics, or "greige goods", but also takes them through all the subsequent manufacturing steps as well as designing the finished goods. The company has a plant in Closter, N.J., and is currently converting a large facility in Cape May, N.J. to provide additional knitting capacity. Everlon was adversely affected in early 1975 when chain stores were liquidating their inventories, but made a strong comeback through the balance of the year.

The Hervin Company, with manufacturing facilities in Tualatin, Oregon, manufactures a full line of both canned and dry BLUE MOUNTAIN brand pet foods for dogs and cats. The company has a strong franchise in four states in the Northwest. This segment also had a highly successful year.

The J. B. Williams Company, Inc. With the acquisition of J. B. Williams in 1971, Nabisco entered entirely new consumer markets: pharmaceuticals and toiletries. Yet, there were parallels to Nabisco's businesses since J. B. Williams was highly profitable, its products had a well-established consumer franchise, and these products were able to offer consumers both quality and value.

The company's products, like many of Nabisco's, have had long, successful lives. GERITOL has been marketed continuously since 1950. Such well-known brands as AQUA VELVA, ACE COMB, SERUTAN, LECTRIC SHAVE, and SOMINEX are household names that can be found in drugstores, food stores and other outlets in the U.S.

J. B. Williams' International Division markets its products in over 50 countries including France, Denmark, Spain, Italy, Canada, Mexico, Argentina and Brazil.

The year was a strong one for this division. Toiletries benefited from the new AQUA VELVA men's fragrances and from the success of ROSE MILK skin care cream. This latter product, acquired in December 1973, began modestly in 1974 and expanded significantly in 1975. The product's success has encouraged the division to expand the line.

Aurora Products Corp. Aurora introduced modifications and line extensions to its popular AFX Model Motoring line during 1975. New toy and game introductions included KAR-A-A-ATE MEN and ZING TENNIS. Sales of the Brunswick's AIR HOCKEY game, a major success in 1974, continued to do well in 1975. However, total sales during the year-end holiday period were below expectation.

This division's management was realigned and strengthened during 1975. Both its product lines and its overhead costs are being closely controlled, and some uneconomical facilities have been closed. In addition, the company acquired ownership of a manufacturing operation in Singapore and expanded its operation in Mexico.

1

2

3

1 *Glories Perry, chemical analyst, corporate Research and Development at the Research Center in Fair Lawn, N.J., operates a fractionator. The machine automatically identifies the slightest amounts of chemical compounds in raw materials and finished goods samples.*

2 *Lou Accornero, Model Motoring technician, tests new chassis design for the Aurora toy and game operation on its test track. The division also designs Model Motoring accessories and more than 50 private label special racing sets every year for larger retail customers.*

3 & 4 *J.B. Williams successfully expanded sales of ROSE MILK, a unique new skin care cream. AQUA VELVA HERBAL and MUSK after-shave lotions were highly successful product introductions in 1975.*

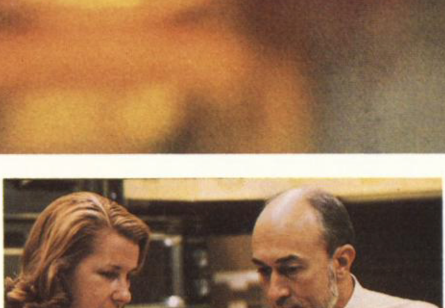
5 *Daniel Coakley, tablet operator, monitors subcoating process for GERITOL tablets. This is the second of three coating steps through which tablets must go before they are ready for packaging.*

6 *Dorothy Fleitman, manager, research guidance, and Dave Miller, manager, product research, are trained members of a taste panel at the Research Center.*


herbal
musk
EXTRA STRENGTH LOTION
FOR FACE & BODY
herbal
musk

4

5


Swiss
Cheese

6

2

3

Review of Operations (cont.)

International Operations. While the over-all 1975 results of the International operations compared unfavorably with the prior year, there were, nevertheless, many bright spots in the picture. Gains in sales and earnings were reported from Nabisco's Canadian, French, United Kingdom, Latin American and Australian operations.

A number of important organizational changes were made which were designed to further strengthen the management of the international business for the future. Late in the year, a new European office was opened in Paris, which is headed by a vice president for Europe. In addition, a senior corporate officer was assigned to Germany in an effort to strengthen this operation.

In other major geographic reassignments in the International Division, a vice president was appointed for Latin America and another for the region covering Australia, New Zealand and South Africa. All of these appointments emphasize the planning and development function, and will provide major support for the long-range plans of the division.

Economic problems in most of the countries in which Nabisco operates were much more persistent than those in the U.S. in 1975, and recovery in many of the countries was slow to materialize. There were, nonetheless, a number of new product introductions and expansion of capacity, confirming our belief in strong, continuing demand for Nabisco products around the world.

A consolidation was begun in *England* of all sales, distribution and financial functions, which was designed to provide a more effective, cohesive organization for the two U.K. subsidiaries. Nabisco-Frears produces sweet biscuits, including the highly successful TEA TIME Assortment, and crackers, such as RITZ. Nabisco-Foods makes cake mixes and a number of ready-to-eat cereals, including the NABISCO Shredded Wheat and SPOON SIZE Shredded Wheat cereals which are well known in the U.S. The year 1976 marks the 50th anniversary of the introduction of Shredded Wheat into the English market.

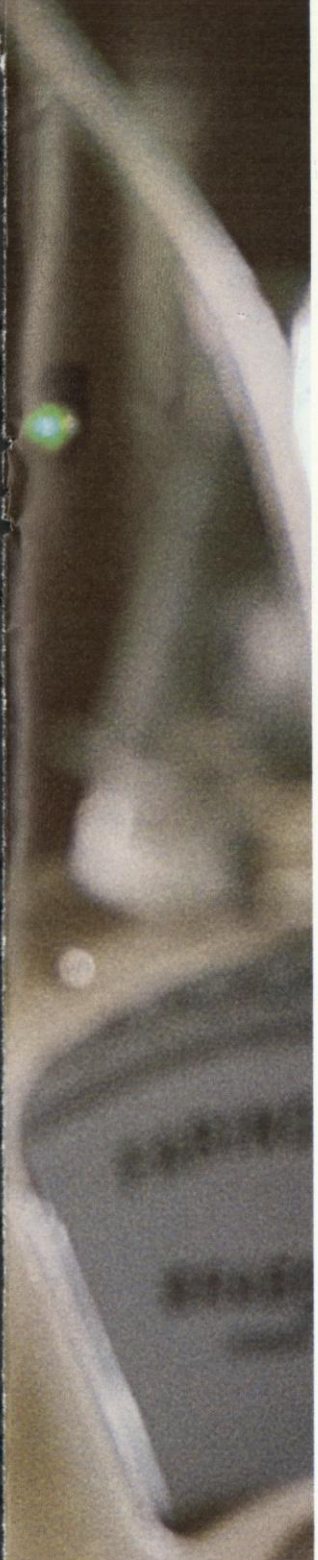
Nabisco's other European operations felt the severe effect of adverse economic conditions throughout most of 1975, although there were signs of improvement towards the close of the year. New products were launched in a number of countries, with encouraging results. Biscuits Belin, Nabisco's subsidiary in *France*, had an outstanding year in 1975. It introduced a nutty, meringue-textured sweet biscuit, NOISETY, which drew a very positive consumer response. In *Denmark*, where consumers have become attracted to bran-based products, the Oxford Biscuit Factory company began to market a bran-based biscuit, named GRUVKIKS.

In *Germany*, results were disappointing. The consumer in Germany showed resistance towards rising prices during 1975. B.Sprengel & Co., a manufacturer of high quality chocolate candy, launched a new line of medium-priced boxed assortments. The new product line is designed to place Sprengel's products in a more competitive price range. At XOX-Nabisco, the German biscuit manufacturer, high manufacturing costs, in conjunction with the poor German economy, restricted the company's ability to achieve profitability. However, new product introductions and strict management controls are expected to improve the company's performance in 1976.

In *Australia*, sales are about equally divided between the Biscuit Division and the General Products Division which is strong in ready-to-eat cereals. The General Products Division introduced two new products into test markets during the year, both of them representing a new venture into extruded, presweetened ready-to-eat cereals. Nabisco has a larger share of the cereal market in Australia than in any other part of the world.

New capacity was added in Australia's Biscuit Division, where a new oven was installed in November, 1975. This was the third oven to be started up since Nabisco's biscuit business was begun in 1968. Per capita consumption of biscuit products in this country is one of the highest in the world.

Consumers in *New Zealand*



1

4

1 *Biscuits Belin, the company's subsidiary in France, is one of the largest of Nabisco's international units. Mme. Odette Sauze, laboratory agent, tests moisture content of a batch of the familiar RITZ Crackers.*

2 *The Biscuits Belin plant at Evry, near Paris, was completed in 1974.*

3 & 4 *Einar Kristensen, foreman, supervises jam production for jam sandwich cookies, and Kresta Soerensen feeds sandwich machine with base cakes at Oxford Biscuit Factory Ltd. in Denmark.*

reduced their spending for most of the year, a reflection of rising unemployment and inflation. Yet, Nabisco's subsidiary, Griffin & Sons, Ltd., reported increased sales, and the company installed new candy-making equipment for such varieties as Mint Patties and Jelly Beans. This company, in addition to manufacturing candy, is the largest biscuit manufacturer in New Zealand.

Nabisco's affiliate in *Japan*, Yamazaki-Nabisco Co. Ltd., has been a most productive joint venture with Japanese partners. It continues to provide one of the fastest growing markets for cookies and crackers. In January, 1976, a new, extruded potato chip was introduced. The product, whose English name is CHIPSTAR, will be the first of this kind to be launched in that country.

Latin American operations performed extremely well during the year. *Venezuela* had a buoyant economy in 1975 and a strong consumer market. The Nabisco subsidiary installed new sugar wafer equipment that will substantially increase production and also improve product quality. *Mexico*, one of Nabisco's most successful operations in Latin America, represents another example of a good relationship with local partners. An additional oven was installed at the Mexico City bakery during the year, and the company has bright prospects for future growth. In the *Dominican Republic*, an interest was purchased in a well-established biscuit manufacturing concern, Tamara, C. por A., giving Nabisco its first manufacturing base in that country.

The four businesses which comprise our operations in *Canada* were all successful in overcoming a high inflation rate and had outstanding increases in sales and earnings. Christie, Brown and Co., Ltd., the largest segment, with production facilities in Toronto, Montreal and Winnipeg, is a dominant factor in the Canadian cracker market. The company's volume was strong in 1975 and has increased steadily over the past five years.

The Foods Division of Nabisco, Ltd. in Canada also was a major earnings contributor during the year. Cereals, such as shredded wheat and SPOON SIZE Shredded Wheat, 100% Bran, and their most popular cereal, SHREDDIES, all give this company a significant share of the market. One of its most successful product lines, MILK-BONE dog biscuits, has captured a substantial share of the market since initial production began in Canada early in 1954.

Two other divisions, Reid Milling Co., (a rapidly growing flour miller) and Christie's Bread (which serves the greater Toronto metropolitan area) made their contribution to one of the most successful years of the Canadian operation.

Management Changes

The following were changes which occurred in the corporate management during 1975.

David F. Bull, formerly Senior Vice President, was elected a Group Vice President. Reporting to him are Aurora Products Corp. and the Special Products Division.

Richard S. Creedon, formerly Assistant to the President, was elected a Group Vice President. Reporting to him are the Biscuit Division, and the Communications and Purchasing Departments.

C. Richard Owens, formerly Treasurer, was elected Vice President, Finance, and Chief Financial Officer.

Edward J. Matthews, Jr., formerly Assistant Treasurer, was elected Treasurer.

James O. Welch, Jr., Vice President, formerly President of Nabisco Confections, Inc., was appointedAssistant to the President. The Food Services Division reports to him, and he will undertake a number of special assignments.

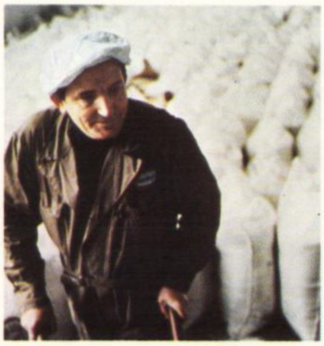
Harry F. Schroeter, Vice President, Communications, retired at the end of the year. His services were highly valued during his 30 years at Nabisco.

1 *The relatively small size of some of the company's international subsidiaries makes full automation uneconomical. Sugar is moved by Jesus Jimenez at Galletas Artiach in Bilbao, Spain.*

2 & 3 *In a modern plant at Saiwa Biscotti in Milan, Italy, Frattini Gilberto inspects oven during baking of ORO biscuits; Benedetto Gabriele adjusts metering system for liquid shortening.*

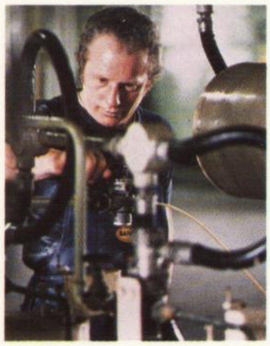
4 *Shrink-wrapped pallets of RITZ Crackers are loaded by Alan Merrian, fork lift truck driver, at Nabisco Ltd. bakery in Welwyn Garden City, England.*

5 *SPOON SIZE Shredded Wheat is as popular in England as in the U.S. Phyllis Ferguson checks weight of 12 oz. package.*



1

2



3

4

5


Remember The
LET THE TRAFFIC GO PAST, JERRY– IT'S BIGGER THAN US.

Financial Review

Nabisco, Inc. manufactures and sells a diverse line of consumer goods in the United States, Canada, Latin America, Australasia, and in the leading countries of Western Europe. The Company has approximately 47,000 employees, of whom approximately 45% are located outside the United States, and has over 72,000 shareholders.

Five lines of business are represented within the Company: food, toys and games, pharmaceuticals, toiletries and home furnishings. None of the non-food lines of business individually constitute 10% or more of total sales or profits.

Included in the food business are such product lines as cookies and crackers, pretzels, ice cream cones, cheese spreads, snack products, hot and cold breakfast cereals, pet foods, specialty cake mixes, dates, pimientos, candies and frozen meat entrees. The Company also produces and distributes a variety of non-food product lines. Other than cookies and crackers, which represent approximately 60% of total sales, no other product line contributes 10% or more to total sales.

Sales achieved a record high of $1,970.8 million in 1975, an increase of $177.7 million, or 10% over 1974. Higher selling price levels established during 1974 were a major factor in the sales increase. Sales were especially strong in the last half of the year in the U.S. food and toiletries operations, where volume gains were buoyed by successful new product introductions.

Consolidated foreign sales were up 6% over 1974, increasing from $547.2 million to $580.5 million. Sales in Canada increased sharply following a labor disruption in 1974. Latin America and Australasia continued to experience strong performances. European results were behind last year, as economic recovery in that area has been lagging.

Sales in 1974 increased by $338.5 million to $1,793.1 million or 23% over 1973. Price increases in the Company's products, required to offset significant cost increases, were a major factor in the 1974 worldwide sales increases.

Cost of Sales of $1,345.7 million increased $67.6 million over 1974. Packaging supplies, energy and employee wage and benefit costs accelerated in 1975. Commodity costs in the U.S. food operations, while higher in the earlier part of the year, showed a moderating downward trend and at the end of 1975 were lower than at the end of the previous year.

In 1974, cost of sales increased $288.8 million over the previous year. Commodities, energy and

Summary of Operations

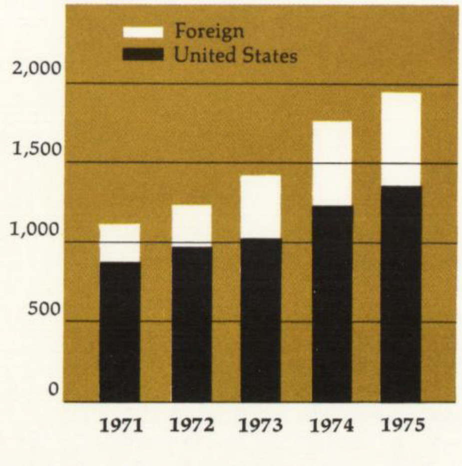
(In millions except per share data)

	Year Ended December 31				
	1975	1974	1973	1972	1971
Net sales	**$1,970.8**	$1,793.1	$1,454.6	$1,281.2	$1,131.8
Cost of sales	**1,345.7**	1,278.1	989.3	822.8	713.9
Selling, general and administrative expenses	**456.8**	400.5	365.5	332.2	299.6
Miscellaneous expense (income), net	**5.0**	(9.1)	(6.8)	(2.4)	(4.3)
Interest expense	**28.6**	30.9	17.6	12.0	10.4
Income taxes	**75.7**	47.2	45.0	58.1	58.8
Total costs and expenses	**1,911.8**	1,747.6	1,410.6	1,222.7	1,078.4
Net income	**$ 59.0**	$ 45.5	$ 44.0	$ 58.5	$ 53.4
Net income per share	**$3.70**	$2.85	$2.75	$3.66	$3.35
Dividends declared per share	**$2.30**	$2.30	$2.30	$2.225	$2.20
Average shares outstanding	**16.0**	16.0	16.0	16.0	15.9

Net Sales by Geographic Area (millions of dollars)

	1971	1972	1973	1974	1975
United States	$ 864	$ 929	$1,009	$1,246	$1,390
Europe	134	194	250	311	305
Canada	77	86	100	116	141
Australasia	26	38	56	69	72
Latin America	31	34	40	51	63
Total	$1,132	$1,281	$1,455	$1,793	$1,971

Net Sales (millions of dollars)



labor costs were dominant factors in the 1974 cost of sales increase.

Selling, General and Administrative Expenses increased 14% in 1975 and 10% in 1974. Higher distribution costs were incurred in 1975 as well as marketing costs related to new products and expanded promotional programs.

Higher costs of employee wages and benefits were important factors in the increase in both years.

Income from Operations was $168.3 million in 1975, an increase of 47% over 1974. The 1974 income of $114.4 million represented a 15% increase over 1973. The 1975 increase was primarily due to the improved results in the Company's U.S. food businesses. These operations generally were able to improve profit margins in 1975. In the previous year, the increase was obtained substantially through price increases in the U.S. food operations, following termination of economic controls during 1974.

While income from operations improved significantly in 1975, this result was achieved despite losses in the U.S. toys and games and German food operations. Aurora Products Corp. incurred an operating loss of $5.7 million in 1975 compared to a $3.3 million loss in 1974, primarily as a result of disappointing holiday sales and management's decision to discontinue certain product lines which resulted in significant inventory write-downs. In Germany, the Company's food operations recorded an increased loss in 1975 due to the economic recession and a decline in the overall confectionery market. In both problem areas, new management teams have developed strategies for 1976 designed to significantly improve results.

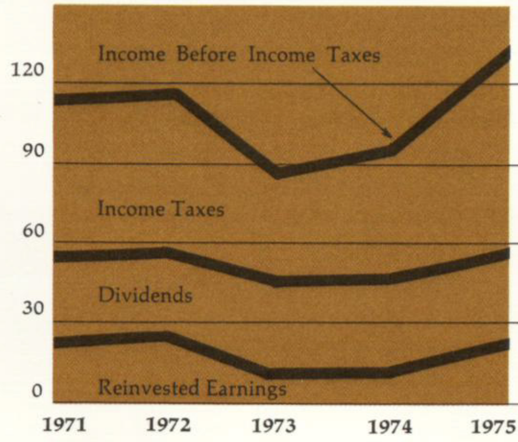
Miscellaneous Expense (Income), Net amounted to an expense of $5.0 million in 1975 compared to income of $9.1 million in 1974. This change was due primarily to costs incurred in the relocation of the Company's World Headquarters to East Hanover, New Jersey and foreign exchange adjustments. The charge for all costs related to the move amounted to $5.8 million. Losses from foreign exchange adjustments amounted to $.6 million in 1975, primarily related to the New Zealand dollar devaluation. This compares to a gain of $3.8 million in 1974.

The 1974 improvement over the previous year was due primarily to increased profitability of the Company's joint venture in Japan.

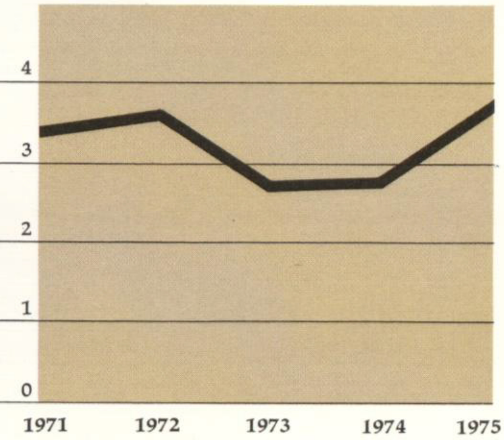
Summary of Financial Position
(In millions except per share data)

	December 31				
	1975	1974	1973	1972	1971
Current assets	**$487.3**	$541.7	$425.5	$338.4	$320.0
Current liabilities	**295.6**	363.4	210.4	165.1	135.8
Working capital	**191.7**	178.3	215.1	173.3	184.2
Plant and equipment	**413.5**	391.9	356.3	296.3	252.0
Capital expenditures	**56.0**	67.6	92.1	60.2	35.9
Short-term debt	**62.9**	171.3	45.7	31.6	19.1
Long-term debt	**225.5**	226.5	241.5	146.9	148.7
Shareholders' equity	**407.1**	384.8	376.3	369.7	344.4
Book value per share	**25.52**	24.12	23.58	23.17	21.60

Distribution of Income Before Income Taxes (millions of dollars)



Earnings Per Share (dollars)



Financial Review (continued)

Interest Expense in 1975 was $28.6 million, down $2.3 million from 1974. During the last two quarters of 1975, interest expense decreased due to lower interest rates on a lower level of borrowings brought about by improved profitability and effective management of inventories and accounts receivable. Interest expense increased $13.3 million in 1974 due to higher short-term borrowings for increased working capital needs combined with rising interest rates.

Income Taxes of $75.7 million were up $28.5 million over 1974 due principally to increased profitability. The increase in the effective rate of income taxes in 1975 over 1974 is primarily due to the effect of foreign losses for which tax benefits are not presently available.

Net Income for 1975 totaled $59.0 million, compared to $45.5 million in 1974. Foreign operations contributed $3.3 million and $7.3 million to 1975 and 1974 results, respectively. The impact of foreign exchange adjustments was a significant factor in this decrease. Net income per share in 1975 amounted to $3.70 compared to $2.85 in 1974.

Current Assets at December 31, 1975 decreased $54.4 million to $487.3 million. A significant decrease in inventory resulted from a company-wide inventory reduction program and the abatement of commodity prices. Accounts receivable were at approximately the same level as last year and reflect an improvement in the average period that receivables are outstanding.

Current Liabilities decreased by $67.8 million in 1975, following an increase in 1974 over 1973 of $153.0 million. Short-term borrowings were reduced in 1975 by $108.3 million following an increase of $121.9 million in the previous year.

Working Capital increased $13.4 million in 1975, as cash flow from operations and inventory reductions was used to reduce short-term borrowings. The Company's current ratio improved to 1.65:1 in 1975, up from 1.49:1 in 1974.

Dividends amounted to $2.30 per share in 1975, unchanged from the prior year. Nabisco has declared dividends each year since its inception in 1898. In January 1976, the Board of Directors increased the quarterly dividend rate to $.60 per share, equal to an annualized rate of $2.40 per share.

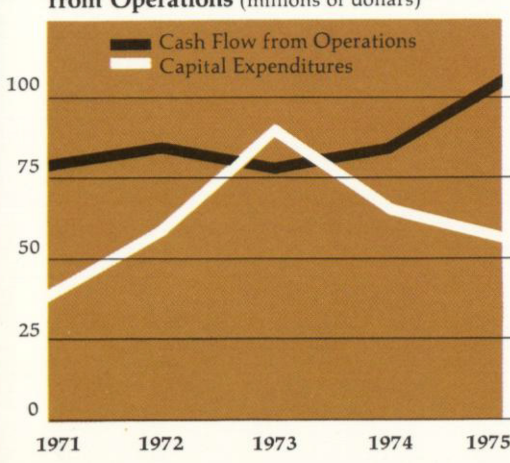
Dividends Paid by Quarter
(Per Share)

Quarter Ended	1975	1974
March 31	$ .575	$ .575
June 30	.575	.575
September 30	.575	.575
December 31	.575	.575
	$ 2.30	$ 2.30

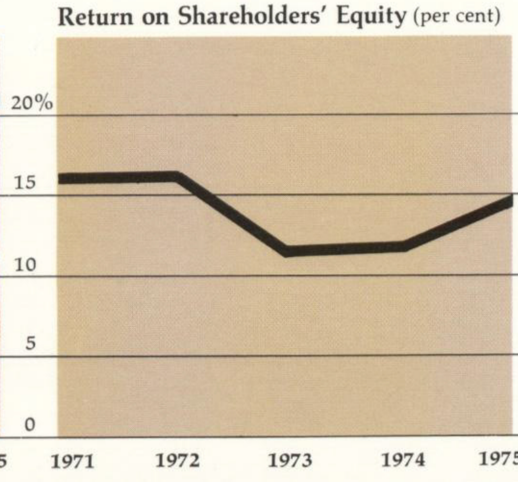
Prices of Nabisco, Inc. Common Stock on New York Stock Exchange

Quarter Ended	1975 High	1975 Low	1974 High	1974 Low
Mar. 31	$35½	$22¼	$43	$31½
June 30	40	30⅛	37⅝	32⅛
Sept. 30	42½	32	33¼	22½
Dec. 31	41⅞	33⅜	28	21½

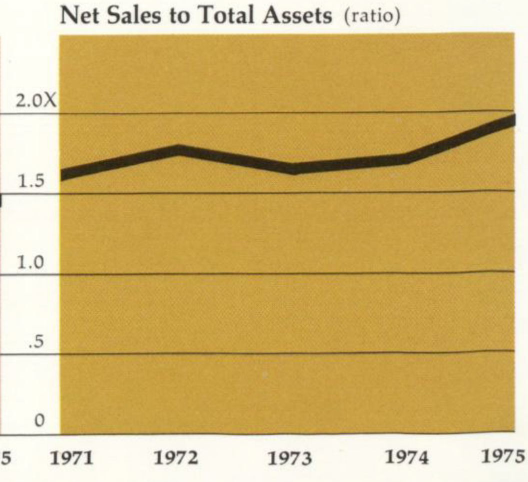
Capital Expenditures and Cash Flow from Operations (millions of dollars)



Return on Shareholders' Equity (per cent)



Net Sales to Total Assets (ratio)



Net Sales by Quarter
(In Millions)

Quarter Ended	1975	1974
March 31	$ 452.6	$ 407.1
June 30	481.3	413.9
September 30	497.8	441.4
December 31	539.1	530.7
	$1,970.8	$1,793.1

Net Income by Quarter
(In Millions)

Quarter Ended	1975	1974
March 31	$ 11.5	$ 9.9
June 30	13.1	10.5
September 30	14.3	10.4
December 31	20.1	14.7
	$ 59.0	$ 45.5

Capital Expenditures amounted to $56.0 million in 1975, down $11.6 million from $67.6 million in 1974. A new flour mill in Toledo, Ohio neared completion at year-end and modernization of the plant in Marseilles, Illinois was completed. The Company's U.S. home furnishings operation purchased a facility in Cape May, New Jersey, which will increase knitted curtain production capacity.

Return on Shareholders' Equity— In 1975, return on shareholders' equity increased to 14.9% from 11.9% in 1974. This measurement is an important indicator of the strength of a business operation.

At Nabisco, the efforts of management are directed toward improving this return. Annually, the business plan of each profit center is subjected to coordinated review and approval with the objective of optimizing long-term return on shareholders' equity. An important part of profit center management is to obtain maximum return on the assets employed in the business. With increasing demand for the use of capital, the overall objective is to invest the Company's assets into those areas of the business having potential for the highest return and most rapid earnings growth.

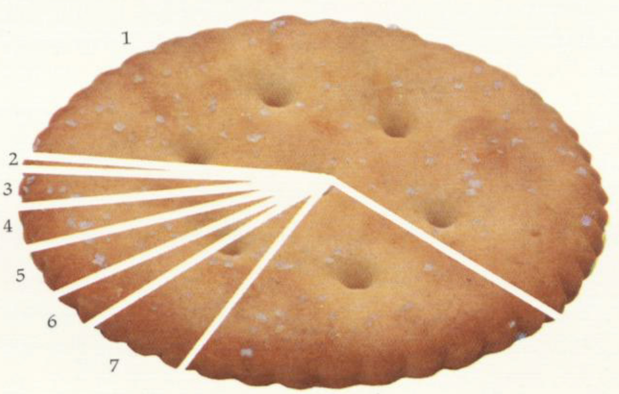
In this connection, each of Nabisco's profit centers plans for the level of asset investment required to operate its business. Actual performance is then measured against the plan with the overall goal of achieving the Company's objectives for return on shareholders' equity.

Additionally, new capital spending plans are subjected to rigorous standards of analysis and return on investment requirements throughout the Company with the objective of improving future return on equity.

To further emphasize its importance, management incentive plans within Nabisco are structured to reflect the efforts of the Company's management to improve the return on shareholders' equity.

Distribution of 1975 Sales Dollar

1 Supplies and services 61.3¢
2 Management 0.1¢
3 Reinvested earnings 1.1¢
4 Depreciation 1.7¢
5 Dividends 1.9¢
6 Interest expense and other expense, net 1.7¢
7 Taxes 4.7¢
8 Employees 27.5¢



Report of Auditors

To the Shareholders of Nabisco, Inc.:

We have examined the consolidated balance sheet of Nabisco, Inc. and its subsidiaries as of December 31, 1975, and the related consolidated statements of income and retained earnings, capital stock and additional paid-in capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements for the year 1974.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Nabisco, Inc. and its subsidiaries at December 31, 1975 and 1974, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

COOPERS & LYBRAND
1251 Avenue of the Americas
New York, N.Y. 10020
January 31, 1976

Statement of Accounting Policies

Consolidation Policy—Nabisco consolidates its subsidiaries, except certain foreign subsidiaries which in the aggregate are not significant and are stated on the equity basis. For companies in which it has a substantial interest, but owns 50 per cent or less, Nabisco also records its share of net income. The financial statements of most foreign subsidiaries are included on a fiscal-year basis, ending principally on November 30, to facilitate prompt reporting of year-end consolidated results.

Business Combinations—The net assets and results of operations of those businesses which are acquired in exchange for Nabisco common stock and qualify as poolings of interests are included in the financial statements as if they had always been subsidiaries. Accordingly, when such acquisitions take place, prior years' published financial data are restated.

The net assets of those businesses acquired, which are accounted for as purchases, are recorded at their fair values at the acquisition date and financial reports only include their operations from that date. The excess of acquisition cost over the fair value is included in the balance sheet as "Excess of investments in consolidated subsidiaries over net assets". That part of the excess which relates to acquisitions made in 1971 or thereafter is being reduced by annual charges against income over a 40-year period in accordance with generally accepted accounting principles effective at the beginning of that year. The excess that relates to acquisitions initiated prior to 1971 is not being amortized because, in the opinion of management, its value in relationship to the Company's investments has not diminished.

Inventories are stated principally at the lower of average cost or market.

Investment Credit—Nabisco generally recognizes the U.S. investment credit earned on capital additions by reducing income tax expense over the estimated useful lives of the related assets.

Property, Plant and Equipment are recorded at cost. For financial reporting purposes, Nabisco generally provides depreciation on buildings, machinery and equipment on a straight-line basis.

Expenditures for maintenance and repairs are charged against income in the year in which they are incurred. Expenditures that result in the enhancement of the value of the facilities involved are treated as additions to plant and equipment.

Translation of Foreign Currencies—Nabisco translates the accounts of subsidiaries that are stated in foreign currencies into U.S. dollars in the following manner: property, plant and equipment, accumulated depreciation and excess of investments in consolidated subsidiaries over net assets at historical exchange rates; the remaining assets and liabilities at current exchange rates. Revenue and expense items other than depreciation are translated at average exchange rates in effect during the period the transactions occurred.

Foreign currency translation adjustments and realized and unrealized gains and losses from forward exchange contracts are reflected in results of operations.

Net Income per Share is based on the weighted-average number of shares outstanding during the periods presented after giving effect to the potential dilutive effect of the exercise of stock options.

NABISCO, INC.

Consolidated Statement of Income and Retained Earnings

	Year Ended December 31 1975	1974
Net sales	**$1,970,829,000**	$1,793,049,000
Cost of sales	**1,345,725,000**	1,278,116,000
Gross profit	**625,104,000**	514,933,000
Selling, general and administrative expenses	**456,784,000**	400,501,000
Income from operations	**168,320,000**	114,432,000
Miscellaneous expense (income), net	**4,987,000**	(9,127,000)
Interest expense	**28,577,000**	30,870,000
Income before income taxes	**134,756,000**	92,689,000
Income taxes		
Current		
U.S. Federal	**45,693,000**	27,717,000
Foreign	**10,777,000**	6,170,000
State and local	**7,572,000**	4,859,000
Deferred, including investment credit	**11,676,000**	8,485,000
	75,718,000	47,231,000
Net income	**59,038,000**	45,458,000
Retained earnings, beginning of year	**304,973,000**	296,183,000
Common dividends declared, $2.30 per share in 1975 and 1974	**(36,660,000)**	(36,668,000)
Retained earnings, end of year	**$ 327,351,000**	$ 304,973,000
Net income per share of common stock	**$3.70**	$2.85

(Financial statements should be read in conjunction with the statement of accounting policies on page 20 and notes to financial statements on pages 25 through 27.)

Consolidated Balance Sheet

ASSETS	December 31 1975	1974
Current assets		
Cash	$ 10,159,000	$ 26,763,000
Short-term investments, at cost which approximates market	10,881,000	7,055,000
Accounts receivable		
Trade	178,830,000	177,824,000
Other	12,220,000	12,808,000
Inventories		
Finished products	124,066,000	130,291,000
Raw materials and supplies	151,165,000	186,946,000
Total current assets	487,321,000	541,687,000
Property, plant and equipment		
Land	18,500,000	18,619,000
Buildings	205,726,000	201,108,000
Machinery and equipment	536,393,000	495,284,000
	760,619,000	715,011,000
Less accumulated depreciation	347,089,000	323,078,000
	413,530,000	391,933,000
Other assets	38,801,000	37,534,000
Excess of investments in consolidated subsidiaries over net assets	74,737,000	75,696,000
	$1,014,389,000	$1,046,850,000

(Financial statements should be read in conjunction with the statement of accounting policies on page 20 and notes to financial statements on pages 25 through 27.)

LIABILITIES	December 31 1975	1974
Current liabilities		
Short-term debt		
Commercial paper	**$ 34,660,000**	$ 23,233,000
Bank loans and other	**22,615,000**	142,370,000
Current portion of long-term debt	**5,580,000**	5,659,000
Accounts payable		
Trade	**77,638,000**	73,284,000
Other	**11,240,000**	10,891,000
Accrued liabilities	**106,590,000**	84,347,000
Common dividend payable	**9,164,000**	9,169,000
Income taxes	**28,112,000**	14,476,000
Total current liabilities	**295,599,000**	363,429,000
Long-term debt	**225,467,000**	226,461,000
Other liabilities	**27,085,000**	23,737,000
Deferred income taxes	**42,511,000**	32,529,000
Unamortized investment credit	**9,660,000**	7,966,000
Minority interests in consolidated subsidiaries	**6,945,000**	7,924,000
SHAREHOLDERS' EQUITY		
Capital stock, common—par value $5, shares authorized 24,000,000	**80,030,000**	80,030,000
Additional paid-in capital	**2,276,000**	2,327,000
Retained earnings	**327,351,000**	304,973,000
Treasury stock, at cost	**(2,535,000)**	(2,526,000)
	407,122,000	384,804,000
	$1,014,389,000	$1,046,850,000

Consolidated Statement of Changes in Financial Position

	Year Ended December 31 1975	1974
FINANCIAL RESOURCES PROVIDED		
Net income	**$ 59,038,000**	$ 45,458,000
Charges to income not affecting working capital		
Depreciation	**33,731,000**	31,630,000
Deferred income taxes and investment credit	**11,676,000**	8,485,000
Working capital provided from operations	**104,445,000**	85,573,000
Increase (decrease) in other long-term debt and liabilities	**4,448,000**	(14,545,000)
Total financial resources provided	**108,893,000**	71,028,000
FINANCIAL RESOURCES APPLIED		
Capital expenditures	**56,014,000**	67,629,000
Less disposals of property, plant and equipment	**2,836,000**	4,342,000
Additions to property, plant and equipment	**53,178,000**	63,287,000
Dividends declared	**36,660,000**	36,668,000
Current installment and repurchase of debentures	**2,094,000**	1,501,000
Increase in "Other assets"	**1,267,000**	4,636,000
Miscellaneous, net	**2,230,000**	1,758,000
Total financial resources applied	**95,429,000**	107,850,000
Increase (decrease) in working capital	**$ 13,464,000**	($ 36,822,000)
CHANGES IN THE COMPONENTS OF WORKING CAPITAL		
Increase (decrease) in current assets		
Cash and short-term investments	**($ 12,778,000)**	$ 9,144,000
Accounts receivable	**418,000**	30,074,000
Inventories	**(42,006,000)**	76,934,000
	(54,366,000)	116,152,000
Increase (decrease) in current liabilities		
Short-term debt	**(108,407,000)**	125,555,000
Accounts payable and accrued liabilities	**26,941,000**	22,603,000
Income taxes	**13,636,000**	4,816,000
	(67,830,000)	152,974,000
Increase (decrease) in working capital	**$ 13,464,000**	($ 36,822,000)

(Financial statements should be read in conjunction with the statement of accounting policies on page 20 and notes to financial statements on pages 25 through 27.)

NABISCO, INC.

Consolidated Statement of Capital Stock and Additional Paid-in Capital
(Dollars in Thousands)

	Common Stock				Additional Paid-in Capital
	Issued		Treasury Stock		
	Shares	Amount	Shares	Amount	
Balance, January 1, 1974	16,005,997	$80,030	(46,397)	($2,522)	$2,580
Issued in connection with incentive compensation plans	—	—	3,796	205	1
Treasury stock acquired	—	—	(8,510)	(209)	(254)
Balance, December 31, 1974	16,005,997	80,030	(51,111)	(2,526)	2,327
Issued in connection with incentive compensation plans	—	—	2,200	109	—
Treasury stock acquired	—	—	(3,109)	(118)	(51)
Balance, December 31, 1975	16,005,997	$80,030	(52,020)	($2,535)	$2,276

(Financial statements should be read in conjunction with the statement of accounting policies on page 20 and notes to financial statements on pages 25 through 27.)

Notes to Financial Statements

Other Assets consist of prepaid expenses, deferred charges, and investments/advances to unconsolidated affiliates and others. Construction costs for facilities that are expected to be financed under sale-and-leaseback arrangements are also included.

Short-term Debt—The following summarizes certain information which relates to short-term borrowings:

	1975	1974
Average amount of short-term borrowings during year	**$121,000,000**	$136,000,000
Maximum amount of short-term borrowings at any month-end	**$157,000,000**	$210,000,000
Weighted-average interest rate during year	**8.58%**	10.70%
Weighted-average interest rate at December 31	**8.44%**	10.67%

Notes to Financial Statements (continued)

Bank loans and other short-term debt consist primarily of foreign bank financing. Credit agreements are maintained with various domestic and foreign banks to support sales of commercial paper notes and to provide the Company future credit availability. At December 31, unused lines of credit amounted to $194,200,000 in 1975 and $95,500,000 in 1974.

Long-term Debt:

	December 31	
	1975	1974
6½% Guaranteed Debentures due October 1, 1982	**$ 10,512,000**	$ 12,446,000
4¾% Subordinated Debentures due April 1, 1987	**29,471,000**	29,835,000
5¼% Guaranteed Convertible Debentures due March 1, 1988	**28,286,000**	28,286,000
7¾% Sinking Fund Debentures due May 1, 2001	**50,000,000**	50,000,000
7¾% Sinking Fund Debentures due November 1, 2003	**75,000,000**	75,000,000
Other long-term debt	**37,778,000**	36,553,000
	231,047,000	232,120,000
Less current portion	**(5,580,000)**	(5,659,000)
Total long-term debt	**$225,467,000**	$226,461,000

The 5¼ per cent Guaranteed Convertible Debentures are convertible at $50.50 per share into approximately 560,000 shares of common stock.

At December 31, 1975, other long-term debt, maturing between 1976 and 2004, at a weighted-average interest rate of 7.48 per cent (7.67 per cent in 1974), consists principally of foreign financing.

The aggregate amount of maturities and sinking fund requirements for the four years following December 31, 1976 are: 1977, $6,897,000; 1978, $5,984,000; 1979, $7,033,000; 1980, $7,275,000.

Other Liabilities consist primarily of pension accruals established to cover unfunded U.S. prior service liabilities and pension obligations of subsidiaries operating in countries where it is customary for companies to administer their own pension plans.

Retirement Plans—The Company has a voluntary non-contributory pension plan, which has been approved by the shareholders, for employees not covered by union-industry pension plans. Certain subsidiaries have similar plans. In general, the plans provide for mandatory retirement at age 65 with benefits computed on the basis of length of service and employee earnings. The pension expense for the year includes a provision for current service costs and amortization of unfunded prior service liabilities over primarily a 40-year period.

Annually, the Company pays to an independent trustee amounts computed on an actuarial basis to provide for the successful operation of its pension plan. In addition, the union-industry pension plans require contributions as defined in the union agreements. Total pension costs amounted to $23,910,000 in 1975 and $20,723,000 in 1974.

At the most recent actuarial valuation date, estimated vested benefits exceeded the computed value of trust assets by approximately $45 million.

Costs and Expenses—Supplementary income statement information is set forth as follows:

	1975	1974
Maintenance and repairs	**$58,700,000**	$51,761,000
Depreciation expense	**33,731,000**	31,630,000
Taxes, other than income taxes	**50,598,000**	48,462,000
Research and development	**9,307,000**	7,343,000

Income Taxes—Deferred income taxes, principally U.S. Federal taxes, result primarily from the use of accelerated depreciation methods for tax purposes.

A reconciliation of the effective tax rate to the U.S. Federal statutory rate of 48% follows:

	1975		1974	
	Amount	**%**	Amount	%
Computed at 48% of pretax earnings	**$64,683,000**	**48.0**	$44,491,000	48.0
Increases (decreases)				
State and local income taxes, net of federal tax benefit	**3,937,000**	**2.9**	2,527,000	2.7
Effect of foreign losses not currently resulting in a tax benefit and foreign earnings taxed at other than the U.S. statutory rate	**7,422,000**	**5.5**	2,807,000	3.1
Other	**(324,000)**	**(0.2)**	(2,594,000)	(2.8)
As reported	**$75,718,000**	**56.2**	$47,231,000	51.0

U.S. income and foreign withholding taxes are provided currently on foreign subsidiaries' net earnings that are expected to be distributed to the parent company. Over the years, the Company has reinvested approximately $44,000,000 of subsidiaries' retained earnings to meet their operating needs and accordingly has not provided taxes on these amounts.

Stock Options—The shareholders have approved stock option plans for officers and other executive and managerial personnel of the Company, which provide for the issuance of not more than 500,000 shares of the Company's common stock at no less than 100 per cent of the average market price on the date the options are granted. Transactions affecting options under the plans are summarized as follows:

	1975		1974	
	Shares	**Option Price***	Shares	Option Price*
Granted	**74,680**	**$39.75**	88,670	$34.31
Expired or cancelled	**40,705**	**$45.74**	47,967	$49.37
Outstanding, end of year	**319,289**	**$42.60**	285,314	$43.80
Exercisable, end of year	**234,179**	**$43.78**	187,479	$48.10

** Represents the weighted-average price per share at the date options were granted.*

At December 31, 1975, 109,400 shares were available for future grants under the plans.

Foreign Operations are included in the financial statements at the following U.S. dollar amounts:

	1975	1974
Working capital at December 31	**$ 66,795,000**	$ 53,716,000
Net plant assets at December 31	**157,517,000**	159,181,000
Net sales	**580,523,000**	547,206,000
Income before foreign exchange adjustments	**4,727,000**	5,209,000
Foreign exchange adjustments	**(1,432,000)**	2,059,000
Net income	**3,295,000**	7,268,000

Included in net income is Nabisco's share of the results of operations for consolidated and unconsolidated subsidiaries.

Foreign Exchange Adjustments—Foreign currency translation gains (losses) of ($2,897,000) and $151,000 are included in net income in 1975 and 1974, respectively. In addition, forward exchange contracts resulted in gains, net of income taxes, amounting to $1,465,000 in 1975 and $1,908,000 in 1974.

Foreign exchange adjustments are included in "Miscellaneous expense (income), net" in the Consolidated Statement of Income and Retained Earnings.

Commitments, principally for plant and equipment, approximated $18 million at December 31, 1975.

The Company has numerous lease commitments that expire on various dates with no significant leases expiring later than 2005. The approximate present value of net noncapitalized financing lease commitments at December 31, 1975, discounted at interest rates ranging from 4.0% to 13.5% (a weighted-average interest rate of 7.6%), amounted to $71,300,000. If such leases had been capitalized, and the related assets amortized on a straight-line basis and interest cost accrued on the outstanding lease liability, net income for the years 1975 and 1974 would not have been materially affected.

Rental expense charged to income amounted to $15,663,000 and $14,700,000 (including $6,122,000 and $4,853,000 of net noncapitalized financing lease rentals) in 1975 and 1974, respectively.

The above data include the sale-and-leaseback of Nabisco's property in East Hanover, New Jersey which is the Company's World Headquarters.

Litigation—In 1975 a verdict for damages in the amount of $3.3 million was awarded by a jury to Ralston Purina Company arising out of a lawsuit initiated in 1973 in connection with a contract entered into in 1972 by a subsidiary of Nabisco to acquire a manufacturing facility from Ralston Purina Company. Nabisco's appeal of that verdict is now pending.

In the opinion of management and outside counsel, the Company is not liable for damages in this action and valid legal grounds exist to warrant a reversal of this judgment. No provision has been reflected in the accounts.

Various other legal actions, governmental proceedings and claims are pending against the Company and certain of its subsidiaries. Although the amount of liability at December 31, 1975 with respect to such matters cannot be ascertained, in the opinion of Nabisco management the ultimate liability, if any, from all pending legal and government proceedings and other claims will not materially affect Nabisco's financial position or the results of its operations.

Board of Directors

Lee S. Bickmore*
Chairman of the Executive Committee

Berford Brittain, Jr.*
Former Senior Vice President, Continental Illinois National Bank & Trust Company of Chicago

Val B. Diehl*
President and Chief Operating Officer

Kenneth C. Foster**
Former President, The Prudential Insurance Company of America

**Member of the Executive Committee*
***Member of the Audit Committee*
‡Member of the Compensation Committee

Dr. Helen A. Guthrie
Professor of Nutrition and Head of Nutrition Program, Pennsylvania State University

Robert W. Haack‡
Director of various corporations

James L. Hayes
President and Chief Executive Officer, American Management Associations, Inc.

Morris L. Levinson
President, Associated Products, Inc., a Nabisco subsidiary

Charles W. Lubin‡
Food consultant and investor

Don G. Mitchell*‡
Director of various corporations

William H. Moore
Director and former Chairman of the Board, Bankers Trust New York Corporation and Bankers Trust Company

Dr. Albert E. Rees
Provost and Professor of Political Economy, Princeton University

Matthew B. Rosenhaus*
Vice Chairman of the Board

Robert M. Schaeberle*
Chairman of the Board and Chief Executive Officer

Perry M. Shoemaker**
Transportation consultant

James O. Welch**
Trustee and director of various corporations

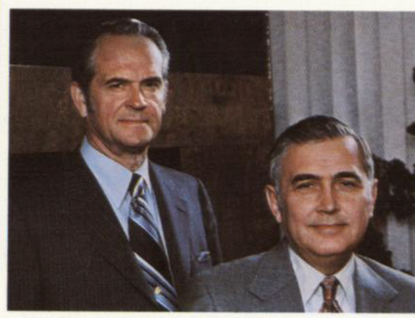
Office of the Chairman

Robert M. Schaeberle
Chairman of the Board and Chief Executive Officer

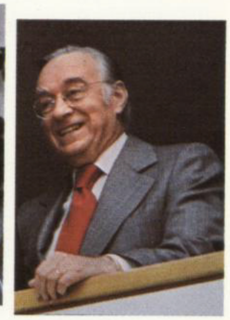
Matthew B. Rosenhaus
Vice Chairman of the Board

Val B. Diehl
President and Chief Operating Officer

Kenneth C. Foster   Morris L. Levinson



Val B. Diehl   Robert M. Schaeberle



Matthew B. Rosenhaus

Don G. Mitchell   Lee S. Bickmore

William H. Moore

James L. Hayes

Robert W. Haack   Perry M. Shoemaker

Dr. Helen A. Guthrie

Charles W. Lubin

James O. Welch   Berford Brittain, Jr.

Dr. Albert E. Rees

Group and Senior Vice Presidents

David F. Bull
Group Vice President

Richard S. Creedon
Group Vice President

Robert J. Jones
Group Vice President

Edward P. Redding
Group Vice President

Theodore G. Richter
Group Vice President

Warren J. Robertson
Senior Vice President

Robert L. Sanford
Senior Vice President

Corporate Vice Presidents

J. Stewart English
Corporate Development

Walter S. Halliday, Jr.
General Counsel

Henry L. Henderson
President, Special Products Division

Royden K. Kelley
Consumer and Community Affairs

John B. McGovern
Personnel Relations

Frank K. Montgomery, Jr.
Corporate Planning

Edwin F. Mundy
Traffic and Headquarters Facilities

C. Richard Owens
Finance

Carl R. Pilz
Purchasing

Robert J. Powelson
President, Biscuit Division

Dwight H. Scott
Government Relations

Paul L. Snyder
President, Freezer Queen Foods, Inc.

James O. Welch, Jr.
Assistant to the President

Richard H. Gavoor
Controller

Kenneth M. Hatcher
Secretary

Edward J. Matthews, Jr.
Treasurer

Principal United States Operations

Biscuit Division
Atlanta, Georgia (Cookies, crackers)
Buena Park, California (Cookies, crackers, snack foods)
Chicago, Illinois (Cookies, crackers, pretzels, toaster pastries)
Dayton, Ohio (Ice cream cones)
Fair Lawn, New Jersey (Cookies, crackers)
Houston, Texas (Cookies, crackers)
Philadelphia, Pennsylvania (Cookies, crackers)
Pittsburgh, Pennsylvania (Cookies, crackers, snack foods)
Portland, Oregon (Cookies, crackers, ice cream cones)
Richmond, Virginia (Cookies, crackers, pretzels)
St. Louis, Missouri (Crackers)
Wrightstown, Wisconsin (Cheese spreads)

Special Products Division
Bridgeview, Illinois (Pet foods)
Buffalo, New York (Pet foods)
Denver, Colorado (Pet foods)
Minneapolis, Minnesota (Cereals)
Naperville, Illinois (Cereals, cake mixes)
Niagara Falls, New York (Cereals)
Oakland, California (Cereals)
Woodbury, Georgia (Pimientos, 'dates, steamed breads, peanuts)

Confectionery Division
Fred W. Amend Co.
Danville, Illinois (Candy)
Nabisco Confections, Inc.
Cambridge, Massachusetts (Candy)
Los Angeles, California (Candy)
Mansfield, Massachusetts (Chocolate, candy)

Protein Foods Division
Morristown, Indiana (Textured vegetable proteins)

The J. B. Williams Company, Inc.
Booneville, Arkansas (Combs)
Cranford, New Jersey (Pharmaceuticals, toiletries)
Venice, California (Toiletries)

Aurora Products Corp.
Downey, California (Hobby motors)
West Hempstead, New York (Model Motoring, toys and games)

Freezer Queen Foods, Inc.
Buffalo, New York (Frozen foods)

Associated Products, Inc.
Brooklyn, New York (Home furnishings)
Cape May, New Jersey (Fabrics)
Closter, New Jersey (Fabrics)
Gardena, California (Home furnishings)
Tualatin, Oregon (Pet foods)

Other Facilities
Beacon, New York (Printing plant)
Carthage, Missouri (Flour mill)
Cheney, Washington (Flour mill)
Evanston, Illinois (Machine shop)
Fair Lawn, New Jersey (Research and development)
Marseilles, Illinois (Boxboard mill and printing plant)
Toledo, Ohio (Flour mill)

Principal International Operations

Australia
Nabisco Products Pty., Limited
Nabisco Pty., Limited

Canada
Aurora Plastics of Canada, Ltd.
Christie, Brown & Company, Limited
Nabisco Limited:
Christie's Bread Division
Nabisco Foods Division
Reid Milling Limited
The J. B. Williams (Canada) Co.

Colombia
Landers & Cia. S.A.

Denmark
Lamco A/S
Oxford Biscuit Factory Limited

Dominican Republic
Tamara, C. por A.

England
Nabisco Limited:
Nabisco Foods Division
Nabisco-Frears Biscuits Division

France
Biscuits Belin, S.A.
International Training and Research Center
The J. B. Williams Co. (France) S.A.

Germany
B. Sprengel & Co.
XOX-Nabisco GmbH

Italy
Saiwa, S.p.A.

Japan
Yamazaki-Nabisco Co., Limited

Mexico
Aurora-Mex. S.A. de C.V.
Nabisco-Famosa, S.A.
Rowe-Mex. S.A. de C.V.

New Zealand
Griffin & Sons Limited

Nicaragua
Industrias Nabisco Cristal, S.A.

Puerto Rico
Arbona Hermanos Division

Republic of South Africa
Pyott, Limited

Singapore
Aurora Products Corp.-Asia Pte. Ltd.

Spain
Galletas Artiach, S.A.

Venezuela
Nabisco-LaFavorita C.A.

Printed in U.S.A.

Nabisco, Inc. East Hanover, N.J. 07936 (201) 884-0500